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Message Text

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ORIGIN EA-09

INFO OCT-01 ISO-00 EB-07 COME-00 L-03 TRSE-00 AID-05 FEA-01

OMB-01 CIAE-00 INR-07 NSAE-00 DOTE-00 DODE-00 /034 R

DRAFTED BY EA/IMS:ARDORNHEIM:CCH
APPROVED BY EA/IMS:EDWARD C. INGRAHAM
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R 110228Z SEP 76
FM SECSTATE WASHDC
TO AMEMBASSY JAKARTA

C O N F I D E N T I A L STATE 225238

E.O. 11652: GDS

TAGS:ENRG, EFIN, ID

SUBJECT: PERTAMINA'S LEASED TANKERS

REF: A. JAKARTA 11852 B. STATE 220236

1. WEEKLY CALL TO MORGAN GUARANTY DISCLOSED THAT PERTAMINA ATTORNEYS ARE NOW FULLY APPRISED OF FINANCIAL RAMIFICATIONS OF THEIR EFFORTS TO HAVE ASSETS ATTACHMENT ORDER VACATED. IMPLICATION WAS THAT BURKE AND PARSONS MAY NOT HAVE REALIZED PRIOR TO THEIR MEETING WITH MORGAN GUARANTY OFFICIALS THIS WEEK HOW DEEPLY GOI'S GLOBAL FINANCIAL REPUTATION COULD BE AFFECTED BY AN UNCORRECTED DEFAULT EVENT ARISING OUT OF A PERTAMINA CONTRACT. (ALTHOUGH THERE IS LITTLE CHANCE MG AND OTHER SYNDICATE LENDERS WOULD EXERCISE THEIR OPTION TO REQUEST ACCELERATED PAYMENT OF LOAN IN THE EVENT OF AN UNCORRECTED DEFAULT EVENT UNDER A PERTAMINA PROMISSORY NOTE AFTER SIXTY-DAY PERIOD EXPIRES SEPT. 20, GOI'S ABILITY TO BORROW FURTHER FUNDS WOULD COME INTO SERIOUS QUESTION).

2. MORGAN GUARANTY SOURCE SAID HIS BANK MADE NO RECOMMEN-DATIONS TO PERTAMINA ATTORNEYS AND HAS NO IDEA WHAT LATTER
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MAY DO, BUT IT IS HIS BELIEF THEY WILL PROBABLY DECIDE TO

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POST A BOND TO COVER SUM INTERMARITIME IS SEEKING THROUGH

ATTACHMENT OF PERTAMINA ASSETS. SUCH BOND WOULD IMMEDIATELY CORRECT DEFAULT EVENT AND WOULD REMOVE PRESSURE TO GET ATTACHMENT ORDER LIFTED BY SEPT. 20. ON OTHER HAND, THIS ACTION WOULD PYSCHOLOGICALLY WEAKEN PERTAMINA CASE IN COURT AND WOULD ENCOURAGE COURT TO APPROACH LITIGATION BEFORE IT IN A MORE LEISURELY FASHION. BURKE AND PARSONS REPORTEDLY WISH TO GET WHOLE MATTER OUT OF NEW YORK COURTS AS SOON AS POSSIBLE AND INTO HANDS OF ARBITRATORS IN LONDON.

3. RE QUERY IN PARA TWO REFTEL A: MORGAN GUARANTY SOURCE OPINED THAT UNDER MOST LOAN AGREEMENTS, DECISION OF PARTIES TO GO TO ARBITRATION INDICATES MERELY A DIFFERENCE OF OPINION AND IS NOT REGARDED AS AN EVENT OF DEFAULT. KISSINGER

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